

TIPTON COMMUNITY SCHOOL DISTRICT
TIPTON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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TIPTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Duane Webb	President	2015
Bill Schwitzer	Vice President	2013
Diane Wallick	Board Member	2013
Brad Goetz	Board Member	2015
Nolan Ford	Board Member	2015
<u>School Officials</u>		
Richard Grimoskas	Superintendent	2015
Jim Becker	District Secretary/Treasurer and Business Manager	2013
Brian Gruhn	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Tipton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District, Tipton Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 56 through 58 be represented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2013 on our consideration of Tipton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Tipton Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
October 14, 2013

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tipton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,193,466 in fiscal 2012 to \$8,240,031 in fiscal 2013, and General Fund expenditures increased from \$7,816,201 in fiscal 2012 to \$8,330,437 in fiscal 2013. The District's General Fund balance decreased from \$1,641,727 in fiscal 2012 to \$1,551,321 in fiscal 2013, a 5.51% decrease.
- The increase in General Fund revenue in fiscal year 2013 was attributable to an increase in local property taxes. The increase in expenditures was due primarily to the negotiated salary and benefits settlement and the addition of teachers and other support staff. The increase in expenditures was higher than the increase in revenues which resulted in the decrease of the general fund balance.
- The continued interest rate environment during the 2013 fiscal year resulted in interest earnings in the General Fund alone decreasing from \$302 in fiscal 2012 to \$117 in fiscal 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Position and a Statement of Activities. These provide information about the activities of Tipton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tipton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tipton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the non-major Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Tipton Community School District Annual Financial Report

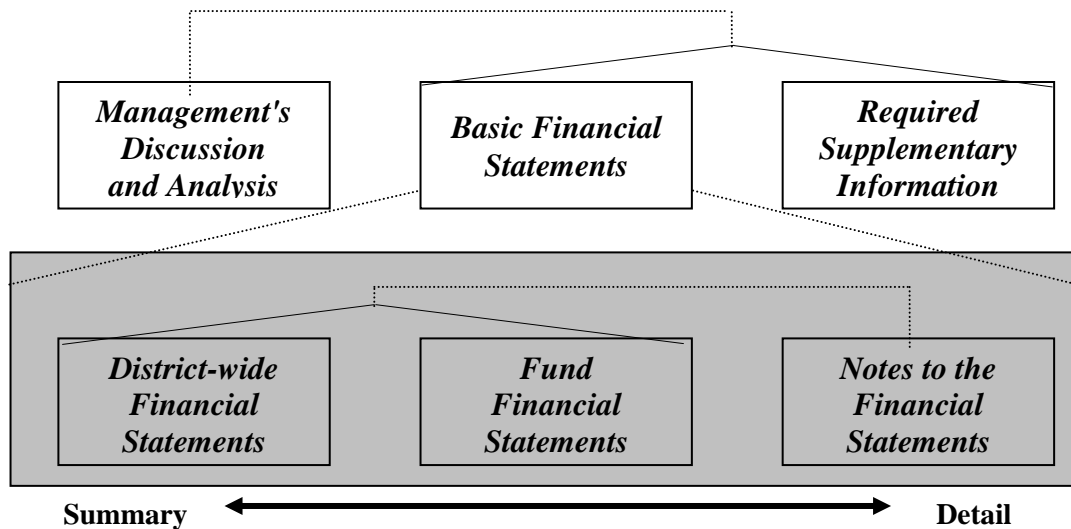


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food services Flexible benefits	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of Position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Position • Statement of revenues, expenses and changes in fund position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary position • Statement of changes in fiduciary position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net Position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal service funds, (the other type of proprietary fund) report activities that provide supplies or services for other District programs or activities. The District currently has one internal service fund, the Flexible Benefits fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund position and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary position and a statement of changes in fiduciary position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Position

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$9,421,371	\$ 7,572,053	\$26,960	\$ 58,632	\$9,448,331	\$ 7,630,685	23.82%
Capital assets	<u>10,955,842</u>	<u>8,249,209</u>	<u>40,593</u>	<u>47,925</u>	<u>10,996,435</u>	<u>8,297,134</u>	32.53%
Total assets	<u>20,377,213</u>	<u>15,821,262</u>	<u>67,553</u>	<u>106,557</u>	<u>20,444,766</u>	<u>15,927,819</u>	28.36%
Long-term obligations	7,260,000	3,898,000	-	-	7,260,000	3,898,000	86.25%
Other liabilities	<u>4,403,542</u>	<u>3,970,859</u>	<u>34,775</u>	<u>34,367</u>	<u>4,438,317</u>	<u>4,005,226</u>	10.81%
Total liabilities	<u>11,663,542</u>	<u>7,868,859</u>	<u>34,775</u>	<u>34,367</u>	<u>11,698,317</u>	<u>7,903,226</u>	48.02%
Net position							
Net Investment in Capital							
Assets	4,705,720	4,744,209	40,593	47,925	4,746,313	4,792,134	-96%
Restricted	2,662,133	1,758,944	-	-	2,662,133	1,758,944	51.35%
Unrestricted	<u>1,345,818</u>	<u>1,449,250</u>	<u>(7,815)</u>	<u>24,265</u>	<u>1,338,003</u>	<u>1,473,515</u>	-9.20%
Total net position	<u>\$8,713,671</u>	<u>\$ 7,952,403</u>	<u>\$32,778</u>	<u>\$ 72,190</u>	<u>\$ 8,746,449</u>	<u>\$ 8,024,593</u>	9.00%

The District's combined net position increased by approximately 9%, or \$721,856, from the prior year. The largest portion of the District's net position is the net invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$903,189, or approximately 51.35% from the prior year. The increase was primarily a result of funds restricted from capital projects in which the funds will be expensed on building projects in a future fiscal year.

Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$135,512, or approximately 9.2%. This reduction in unrestricted net position was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2013.

Figure A-4 Change in Position							
	Governmental Activities		Business Type Activities		Total District		Change
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 1,118,519	\$ 1,101,674	\$ 273,567	\$ 262,490	\$ 1,392,086	\$ 1,364,164	2.05%
Operating grants and contributions	1,229,371	1,320,811	221,460	195,993	1,450,831	1,516,804	-4.35%
Capital grants and contributions	-	-	-	5,975	-	5,975	-100.00%
General revenues							
Property tax	3,226,713	3,147,996	-	-	3,226,713	3,147,996	2.50%
Income Surtax	436,092	406,298	-	-	436,092	406,298	7.33%
Local option sales and service tax	704,707	632,847	-	-	704,707	632,847	11.36%
Unrestricted state grants	3,510,964	3,493,890	-	-	3,510,964	3,493,890	.49%
Unrestricted investment earnings	4,022	5,172	17	36	4,039	5,208	-22.45%
Other	<u>38,709</u>	<u>30,270</u>	<u>-</u>	<u>-</u>	<u>38,709</u>	<u>30,270</u>	27.88%
Total revenues	<u>10,269,097</u>	<u>10,138,958</u>	<u>495,044</u>	<u>464,494</u>	<u>10,764,141</u>	<u>10,603,452</u>	1.52%
Program expenses							
Governmental activities							
Instruction	5,932,740	5,884,926	-	-	5,932,740	5,884,926	.81%
Support services	2,710,243	2,524,214	-	-	2,710,243	2,524,214	7.37%
Non-instructional programs	24,185	-	534,456	474,267	558,641	474,267	17.79%
Other expenses	840,661	908,044	-	-	840,661	908,044	-7.42%
Loss on Sale of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
Total expenses	<u>9,507,829</u>	<u>9,317,184</u>	<u>534,456</u>	<u>474,267</u>	<u>10,042,285</u>	<u>9,791,451</u>	2.56%
Excess (deficiency) before transfers	761,268	821,774	(39,412)	(9,773)	721,856	812,001	-11.10%
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
Change in net position	<u>\$ 761,268</u>	<u>\$ 821,774</u>	<u>(39,412)</u>	<u>\$ (9,773)</u>	<u>721,856</u>	<u>\$ 812,001</u>	-11.01%

In fiscal 2013, property tax and unrestricted state grants account for 65.6% of the revenue from governmental activities while charges for services and sales and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were \$10,764,141 of which \$10,269,097 was for governmental activities and \$495,044 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.52% increase in revenues and a 2.56% increase in expenses. Property tax increased \$78,717. The increase in expenses comes in the instruction, support service, and non-instructional areas due to the negotiated salary and benefits settlement with certified and non-certified staff, an increase in teachers and support personnel and an increase in food costs in the non-instructional area.

Governmental Activities

Revenues for governmental activities were \$10,269,097 and expenses were \$9,507,829.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 5,932,740	\$ 5,884,926	.81%	\$4,091,616	\$ 3,960,845	3.30%
Support services	2,710,243	2,524,214	7.37%	2,519,511	2,339,190	7.71%
Non-Instructional Programs	24,185	-	n/a%	24,185	-	n/a%
Other Expenses	<u>840,661</u>	<u>908,044</u>	-7.42%	<u>524,627</u>	<u>594,664</u>	-11.78%
Total expenses	<u>\$9,507,829</u>	<u>\$ 9,317,184</u>	2.05%	<u>\$ 7,159,939</u>	<u>\$ 6,894,699</u>	3.85%

- The cost financed by users of the District's programs was \$1,118,519.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,229,371
- The net cost of governmental activities was financed with \$4,367,512 in property and other taxes and \$3,510,964 in unrestricted state and federal grants.

Business Type Activities

Revenues for business type activities were \$495,044 representing a 6.58 percent increase over the prior year while expenses totaled \$534,456, a 12.69 percent increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2013, the District's revenue increased due to an increase in daily sales, ala carte sales, and federal sources. The expenses also increased due to an increase in the negotiated salary and benefit package and an increase in food costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, Tipton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,647,673, which is above last year's ending fund balances of \$3,199,331. The primary reason for the increase in combined fund balances

in fiscal 2013 is due to the District's revenue bond received in December 2012. The funds have not been fully expensed during the 2012-2013 fiscal year.

Governmental Fund Highlights

- The District's decrease in the general fund financial position is the result of personnel salary and benefit settlements and additional administration, teacher, and support staff hiring. These additional expenditures were greater than the increase in revenue received during the 2013 fiscal year.
- The General Fund balance decreased from \$1,641,727 to \$1,551,321, as stated earlier this decrease is due to salary and benefit settlements and additional hiring.
- The Capital Projects Fund balance increased from \$813,221 in fiscal 2012 to \$2,144,361 in fiscal 2013. Beginning with the 2011 fiscal year, the physical plant and equipment levy funds are included in the capital projects funds. The physical plant and equipment fund balance accounts for \$644,006 of the total capital project fund balance. The District received School Infrastructure Sales, Services and Use Tax Revenue Bonds in the amount of \$3,925,000 during the 2013 fiscal year. These funds were not fully expensed during the fiscal year which accounts for the increase in the Capital Project Fund balance.
- The Debt Service Fund balance increased from \$214,509 in fiscal 2012 to \$421,813 in fiscal 2013. The District continues to hold a reserve for the elementary project bond issue and now holds a reserve for the auditorium and wrestling room bond issue. The payment on the elementary project bond and auditorium and wrestling room bond have a payment date of January 1 and July 1 each year.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$72,190 at June 30, 2012 to \$32,778 at June 30, 2013, representing a decrease of approximately 54.59%. For fiscal 2013, the District's increase in salaries and benefits and increase in food costs for fiscal year 2013 resulted in a decrease in net position. Depreciation of capital assets also contributed to the overall decrease in net position.

Budgetary Highlights

Over the course of the year, Tipton Community School District amended its annual budget one time to reflect additional expenditures associated with instruction expenses and total other expenses.

The District's revenues were \$374,077 more than budgeted revenues, a variance of approximately 3.6%. A large portion of this variance came from local sources where the district received more in the capital project fund from the one-cent sales tax than what was budgeted. Special education tuition also increased in the general fund in fiscal 2013.

Total expenditures were \$1,108,331 less than the amended budget, due primarily to revenue bond funds received but not fully expensed during the 2013 fiscal

year. Also, it is the District's practice to budget expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget for the General Fund should always exceed actual expenditures for the year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2013, the District had invested \$10,996,435, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 32.53% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$341,801.

The original cost of the District's capital assets was \$16,645,743. Governmental funds account for \$16,375,206, with the remainder of \$270,537 accounted for in the Proprietary, School Nutrition Fund.

The increase in original cost of capital assets during the 2013 fiscal year occurred due to the remodeling of the auditorium and the construction of the wrestling room. Equipment purchased throughout the year also contributed to the increase.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Land	\$ 43,300	\$ 43,300	\$ -	\$ -	\$ 43,300	\$ 43,300	0.00%
Construction in progress	3,051,342	167,135	-	-	3,051,342	167,135	1,925.67%
Buildings and improvements	7,098,805	7,297,270	-	-	7,098,805	7,297,270	-2.72%
Improvements other than buildings	170,354	196,077	-	-	170,354	196,077	-13.12%
Furniture and equipment	<u>592,041</u>	<u>545,427</u>	<u>40,593</u>	<u>47,925</u>	<u>632,634</u>	<u>593,352</u>	6.62%
Totals	<u>\$10,955,842</u>	<u>\$8,249,209</u>	<u>\$ 40,593</u>	<u>\$ 47,925</u>	<u>\$10,996,435</u>	<u>\$8,297,134</u>	32.53%

Long-Term Debt

At June 30, 2013, the District had \$7,260,000 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 86.25% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
General obligation bonds	\$ 2,645,000	\$ 3,015,000	-12.27%
Revenue bonds	4,225,000	490,000	762.24%
Capital loan notes	-	-	0%
Capital leases	-	-	0%
Early retirement	192,000	246,000	-21.95%
Net OPEB Liability	<u>198,000</u>	<u>147,000</u>	34.69%
Total	<u>\$ 7,260,000</u>	<u>\$ 3,898,000</u>	86.25%

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of circumstances that could affect its financial health in the future:

- Tipton Community School District has experienced a stable enrollment in the past couple years. The District expects to hold stable over the next few years.
- The current economic outlook in the United States and the State of Iowa may have an adverse effect on the financial health of the district. The state announced an allowable growth of 2% plus a one-time 2% payment for the 2013-14 fiscal year and a 4% allowable growth rate for the 2014-2015 fiscal year. The allowable growth rate for 2013-14 is offset by increased salary and benefit packages offered within the district. The 4% allowable growth rate for 2014-15 is also offset by increased salary and benefit packages.
- The District approved an auditorium remodeling project and new wrestling room construction project. Revenue bonds were sold October 3, 2012 in the amount of \$3,925,000 at a true interest rate of 1.56% with a repayment schedule of 10 years. This will use a significant portion of the one-cent sales tax funds available to the district over the 10-year period.
- As stated earlier in this report, the general fund balance decreased during the 2013 fiscal year. This fund balance must be monitored and adjustments must be made if the District continues to expense more than the revenues received in this fund.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jim Becker, District Secretary/Treasurer, Tipton Community School District, 400 East 6th Street, Tipton, Iowa 52772.

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Basic Financial Statements

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 5,516,528	\$ 7,115	\$ 5,523,643
Receivables:			
Property tax:			
Current year	35,935	-	35,935
Succeeding year	2,970,000	-	2,970,000
Income surtax	414,508	-	414,508
Accrued interest	297	-	297
Accounts	1,958	-	1,958
Due from other governments	482,145	-	482,145
Inventories	-	19,845	19,845
Capital assets, net of accumulated depreciation (note 4)	10,955,842	40,593	10,996,435
	<u>20,377,213</u>	<u>67,553</u>	<u>20,444,766</u>
<u>Liabilities</u>			
Accounts payable	376,665	213	376,878
Salaries and benefits payable	834,379	34,562	868,941
Due to other governments	178,146	-	178,146
Accrued interest payable	44,352	-	44,352
Deferred revenue:			
Succeeding year property tax	2,970,000	-	2,970,000
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	54,000	-	54,000
Bonds payable	775,000	-	775,000
Portion due after one year:			
Early retirement	138,000	-	138,000
Bonds payable	6,095,000	-	6,095,000
Net OPEB liability	198,000	-	198,000
	<u>11,663,542</u>	<u>34,775</u>	<u>11,698,317</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 4,705,720	\$ 40,593	\$ 4,746,313
Restricted for:			
Categorical funding	173,223	-	173,223
Debt service	806,136	-	806,136
Student activities	156,137	-	156,137
Kindergarten enhancement	223,575	-	223,575
Capital projects	451,802	-	451,802
Physical plant and equipment levy purposes	851,260	-	851,260
Unrestricted	1,345,818	(7,815)	1,338,003
Total net position	\$ <u>8,713,671</u>	\$ <u>32,778</u>	\$ <u>8,746,449</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 5,932,740	\$ 1,115,837	\$ 725,287
Support services:			
Student	146,049	-	172,756
Instructional staff	520,699	-	9,346
Administration	949,119	-	5,948
Operation and maintenance of plant	691,739	2,682	-
Transportation	402,637	-	-
	<u>2,710,243</u>	<u>2,682</u>	<u>188,050</u>
Non-instructional programs	<u>24,185</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	107,656	-	-
Long-term debt interest and fiscal charges	182,624	-	-
AEA flowthrough	316,034	-	316,034
Depreciation (unallocated) *	234,347	-	-
	<u>840,661</u>	<u>-</u>	<u>316,034</u>
Total governmental activities	<u>9,507,829</u>	<u>1,118,519</u>	<u>1,229,371</u>
Business-Type Activities:			
Non-instructional programs:			
Food service operations	<u>534,456</u>	<u>273,567</u>	<u>221,460</u>
Total	\$ 10,042,285	\$ 1,392,086	\$ 1,450,831

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (4,091,616)	\$ -	\$ (4,091,616)
26,707	-	26,707
(511,353)	-	(511,353)
(943,171)	-	(943,171)
(689,057)	-	(689,057)
(402,637)	-	(402,637)
(2,519,511)	-	(2,519,511)
(24,185)	-	(24,185)
(107,656)	-	(107,656)
(182,624)	-	(182,624)
-	-	-
(234,347)	-	(234,347)
(524,627)	-	(524,627)
(7,159,939)	-	(7,159,939)
-	(39,429)	(39,429)
(7,159,939)	(39,429)	(7,199,368)

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs

General revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ 2,612,488	\$ -	\$ 2,612,488
411,028	-	411,028
203,197	-	203,197
436,092	-	436,092
704,707	-	704,707
3,510,964	-	3,510,964
4,022	17	4,039
38,709	-	38,709
7,921,207	17	7,921,224
761,268	(39,412)	721,856
7,952,403	72,190	8,024,593
<u>\$ 8,713,671</u>	<u>\$ 32,778</u>	<u>\$ 8,746,449</u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,404,623	\$ 2,163,334	\$ 948,571	\$ 5,516,528
Receivables:				
Property tax:				
Current year	27,156	2,375	6,404	35,935
Succeeding year	2,173,000	186,000	611,000	2,970,000
Income surtax	207,254	207,254	-	414,508
Accrued interest	-	-	297	297
Accounts	723	-	1,235	1,958
Due from other governments	172,481	309,664	-	482,145
Total assets	<u>\$ 4,985,237</u>	<u>\$ 2,868,627</u>	<u>\$ 1,567,507</u>	<u>\$ 9,421,371</u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 42,265	\$ 331,012	\$ 3,388	\$ 376,665
Salaries and benefits payable	833,251	-	1,128	834,379
Due to other governments	178,146	-	-	178,146
Deferred revenue:				
Succeeding year property tax	2,173,000	186,000	611,000	2,970,000
Other	207,254	207,254	-	414,508
Total liabilities	<u>3,433,916</u>	<u>724,266</u>	<u>615,516</u>	<u>4,773,698</u>
Fund balances:				
Restricted for:				
Categorical funding (note 10)	173,223	-	-	173,223
Revenue bonds	-	392,502	32,000	424,502
Revenue bonds sinking fund	-	-	331,173	331,173
Debt service	-	-	58,640	58,640
Management levy purposes	-	-	150,466	150,466
Student activities	-	-	156,137	156,137
Kindergarten enhancement	-	-	223,575	223,575
School infrastructure	-	1,107,853	-	1,107,853
Physical plant and equipment	-	644,006	-	644,006
Assigned for:				
Specific instructional services	16,485	-	-	16,485
Wellness	10,986	-	-	10,986
COBRA retiree insurance	1,964	-	-	1,964
Unassigned	1,348,663	-	-	1,348,663
Total fund balances	<u>1,551,321</u>	<u>2,144,361</u>	<u>951,991</u>	<u>4,647,673</u>
Total liabilities and fund balances	<u>\$ 4,985,237</u>	<u>\$ 2,868,627</u>	<u>\$ 1,567,507</u>	<u>\$ 9,421,371</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total fund balances of governmental funds	\$ 4,647,673
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,955,842
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	414,508
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(44,352)
Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,260,000)</u>
Net position of governmental activities	<u>\$ 8,713,671</u>
See notes to financial statements.	

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,686,940	\$ 1,129,004	\$ 555,956	\$ 4,371,900
Tuition	622,032	-	-	622,032
Other	157,849	28,838	314,597	501,284
Intermediate sources	31,386	-	-	31,386
State sources	4,450,692	124	341	4,451,157
Federal sources	291,132	-	-	291,132
Total revenues	8,240,031	1,157,966	870,894	10,268,891
Expenditures:				
Current:				
Instruction	5,626,661	-	329,386	5,956,047
Support services:				
Student	144,966	-	-	144,966
Instructional staff	389,627	119,808	-	509,435
Administration	875,977	13,196	57,510	946,683
Operation and maintenance of plant	643,251	4,798	46,007	694,056
Transportation	309,736	94,477	26,208	430,421
	2,363,557	232,279	129,725	2,725,561
Non-instructional programs	24,185	-	-	24,185
Other expenditures:				
Facilities acquisition	-	3,013,011	-	3,013,011
Long term debt:				
Principal	-	-	560,000	560,000
Interest and fiscal charges	-	28,456	128,817	157,273
AEA flowthrough	316,034	-	-	316,034
	316,034	3,041,467	688,817	4,046,318
Total expenditures	8,330,437	3,273,746	1,147,928	12,752,111
Deficiency of revenues under expenditures	(90,406)	(2,115,780)	(277,034)	(2,483,220)

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Revenue bonds issued	\$ -	\$ 3,925,000	\$ -	\$ 3,925,000
Premium on bonds issued	-	6,562	-	6,562
Interfund transfers in (note 3)	-	19,000	503,642	522,642
Interfund transfers out (note 3)	-	(503,642)	(19,000)	(522,642)
Total other financing sources (uses)	-	3,446,920	484,642	3,931,562
Net change in fund balances	(90,406)	1,331,140	207,608	1,448,342
Fund balances beginning of year	1,641,727	813,221	744,383	3,199,331
Fund balances end of year	\$ <u>1,551,321</u>	\$ <u>2,144,361</u>	\$ <u>951,991</u>	\$ <u>4,647,673</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 1,448,342

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 3,041,102	
Depreciation expense	<u>(334,469)</u>	2,706,633

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (6,356)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (3,925,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 560,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (25,351)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	54,000	
Net OPEB liability	<u>(51,000)</u>	<u>3,000</u>

Change in net assets of governmental activities \$ 761,268

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Enterprise School Nutrition	Internal Service Flexible Benefits
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,115	\$ 2,047
Inventories	19,845	-
Total current assets	<u>26,960</u>	<u>2,047</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation (note 4)	40,593	-
Total assets	<u>67,553</u>	<u>2,047</u>
Liabilities		
Current liabilities:		
Accounts payable	213	-
Salaries and benefits payable	34,562	-
Total liabilities	<u>34,775</u>	<u>-</u>
Net Position		
Net investment in capital assets	40,593	-
Unrestricted	<u>(7,815)</u>	<u>2,047</u>
Total net position	<u>\$ 32,778</u>	<u>\$ 2,047</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise School Nutrition	Internal Service Flexible Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 273,567	\$ 34,702
Operating expenses:		
Non-instructional programs:		
Salaries	164,376	-
Benefits	82,991	-
Purchased services	2,290	-
Supplies	277,467	-
Depreciation	7,332	-
Other	-	34,020
	<u>534,456</u>	<u>34,020</u>
Operating income (loss)	(260,889)	682
Non-operating revenues:		
Interest on investments	17	-
Contributions	24,185	-
State sources	4,252	-
Federal sources	193,023	-
Total non-operating revenues	<u>221,477</u>	<u>-</u>
Change in net position	(39,412)	682
Net position beginning of year	<u>72,190</u>	<u>1,365</u>
Net position end of year	<u>\$ 32,778</u>	<u>\$ 2,047</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise School Nutrition	Internal Service Flexible Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 269,948	\$ -
Cash received from miscellaneous operating activities	3,691	34,702
Cash payments to employees for services	(222,387)	-
Cash payments to suppliers for goods or services	(254,451)	(34,020)
Net cash provided by (used by) operating activities	<u>(203,199)</u>	<u>682</u>
Cash flows from non-capital financing activities:		
State grants received	4,252	-
Federal grants received	167,227	-
Net cash provided by non-capital financing activities	<u>171,479</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>17</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(31,703)	682
Cash and cash equivalents beginning of year	<u>38,818</u>	<u>1,365</u>
Cash and cash equivalents end of year	<u><u>\$ 7,115</u></u>	<u><u>\$ 2,047</u></u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (260,889)	\$ 682
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	7,332	-
Commodities used	25,796	-
Contributed health insurance	24,185	-
Decrease in accounts receivable	72	-
(Increase) in inventories	(103)	-
(Decrease) in accounts payable	(387)	-
Increase in salaries and benefits payable	<u>795</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>\$ (203,199)</u>	<u>\$ 682</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$25,796 of federal commodities and \$24,185 of health insurance benefits contributed by the General Fund.

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 308,489	\$ 9,719
Accrued interest receivable	446	-
Accounts receivable	<u>-</u>	<u>7</u>
Total assets	<u>308,935</u>	<u>9,726</u>
Liabilities:		
Other payables	<u>-</u>	<u>9,726</u>
Net position:		
Restricted for scholarships	\$ <u>308,935</u>	\$ <u>-</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 10,200
Interest	<u>2,154</u>
Total additions	<u>12,354</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>41,056</u>
Change in net position	(28,702)
Net position beginning of year	<u>337,637</u>
Net position end of year	<u>\$ 308,935</u>
See notes to financial statements.	

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

Tipton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Tipton, Iowa, and agricultural territory in Cedar County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tipton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Tipton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cedar County Assessor's Conference Board.

The District appoints the trustees of the Tipton School Foundation, Inc. board, which is considered a related organization.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2013 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2013.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 3,666,394
Certificate of Deposit	<u>913,508</u>
Total	<u>\$ 4,579,902</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 503,642
Capital Projects	Debt Service	<u>19,000</u>
Total		<u>\$ 522,642</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,300	\$ -	\$ -	\$ 43,300
Construction in progress	167,135	2,884,207	-	3,051,342
Total capital assets not being depreciated	<u>210,435</u>	<u>2,884,207</u>	<u>-</u>	<u>3,094,642</u>
Capital assets being depreciated:				
Buildings	11,139,600	-	-	11,139,600
Improvements other than buildings	514,480	-	-	514,480
Furniture and equipment	1,584,372	156,895	114,783	1,626,484
Total capital assets being depreciated	<u>13,238,452</u>	<u>156,895</u>	<u>114,783</u>	<u>13,280,564</u>
Less accumulated depreciation for:				
Buildings	3,842,330	198,465	-	4,040,795
Improvements other than buildings	318,403	25,723	-	344,126
Furniture and equipment	1,038,945	110,281	114,783	1,034,443
Total accumulated depreciation	<u>5,199,678</u>	<u>334,469</u>	<u>114,783</u>	<u>5,419,364</u>
Total capital assets being depreciated, net	<u>8,038,774</u>	<u>(177,574)</u>	<u>-</u>	<u>7,861,200</u>
Governmental activities capital assets, net	<u>\$ 8,249,209</u>	<u>\$ 2,706,633</u>	<u>\$ -</u>	<u>\$ 10,955,842</u>
Business-type activities:				
Furniture and equipment	\$ 270,537	\$ -	\$ -	\$ 270,537
Less accumulated depreciation	222,612	7,332	-	229,944
Business-type activities capital assets, net	<u>\$ 47,925</u>	<u>\$ (7,332)</u>	<u>\$ -</u>	<u>\$ 40,593</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction	\$ 14,616
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Support services:

Instructional staff	9,213
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Administration	9,926
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Operation and maintenance of plant	7,022
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Transportation	59,345
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<u>100,122</u>

Unallocated depreciation	<u>234,347</u>
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Total depreciation expense - governmental activities	\$ <u><u>334,469</u></u>
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Business-type activities:

Food service operations	\$ <u><u>7,332</u></u>
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TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 246,000	\$ -	\$ 54,000	\$ 192,000	\$ 54,000
General obligation bonds	3,015,000	-	370,000	2,645,000	380,000
Revenue bonds	490,000	3,925,000	190,000	4,225,000	395,000
Net OPEB liability	147,000	51,000	-	198,000	-
Total	<u>\$ 3,898,000</u>	<u>\$ 3,976,000</u>	<u>\$ 614,000</u>	<u>\$ 7,260,000</u>	<u>\$ 829,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of full-time continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$30,000. Early retirement benefits will be paid annually over five years into a 403(b) account.

At June 30, 2013, the District has obligations to nine participants with a total liability of \$192,000. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$54,000. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Bonds Issue dated January 5, 2005			
	Interest Rates	Principal	Interest	Total
2014	3.45 %	\$ 110,000	\$ 59,643	\$ 169,643
2015	3.55	115,000	55,847	170,847
2016	3.65	120,000	51,765	171,765
2017	3.80	125,000	47,385	172,385
2018	3.90	130,000	42,635	172,635
2019-2023	4.00-4.25	735,000	131,025	866,025
2024	4.30	170,000	7,310	177,310
		<u>\$ 1,505,000</u>	<u>\$ 395,610</u>	<u>\$ 1,900,610</u>

Year Ending June 30,	General Obligation Bonds Refunding Issue dated March 15, 2005			
	Interest Rates	Principal	Interest	Total
2014	3.30 %	\$ 270,000	\$ 38,510	\$ 308,510
2015	3.30	280,000	29,600	309,600
2016	3.40	290,000	20,360	310,360
2017	3.50	300,000	10,500	310,500
		<u>\$ 1,140,000</u>	<u>\$ 98,970</u>	<u>\$ 1,238,970</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 380,000	\$ 98,153	\$ 478,153
2015	395,000	85,447	480,447
2016	410,000	72,125	482,125
2017	425,000	57,885	482,885
2018	130,000	42,635	172,635
2019-2023	735,000	131,025	866,025
2024	170,000	7,310	177,310
	<u>\$ 2,645,000</u>	<u>\$ 494,580</u>	<u>\$ 3,139,580</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2013 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Revenue Bonds Issue dated June 1, 2006			
	Interest Rates	Principal	Interest	Total
2014	4.00 %	\$ 200,000	\$ 10,000	\$ 210,000
2015	4.00	100,000	2,000	102,000
		<u>\$ 300,000</u>	<u>\$ 12,000</u>	<u>\$ 312,000</u>

Year Ending June 30,	Revenue Bonds Issue dated December 1, 2012			
	Interest Rates	Principal	Interest	Total
2014	1.00 %	\$ 195,000	\$ 55,060	\$ 250,060
2015	1.00	190,000	48,825	238,825
2016	1.00	425,000	45,750	470,750
2017	1.00	430,000	41,475	471,475
2018	1.05	435,000	37,041	472,041
2019-2023	1.25-1.85	2,250,000	94,952	2,344,952
		<u>\$ 3,925,000</u>	<u>\$ 323,103</u>	<u>\$ 4,248,103</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 395,000	\$ 65,060	\$ 460,060
2015	290,000	50,825	340,825
2016	425,000	45,750	470,750
2017	430,000	41,475	471,475
2018	435,000	37,041	472,041
2019-2023	2,250,000	94,952	2,344,952
	<u>\$ 4,225,000</u>	<u>\$ 335,103</u>	<u>\$ 4,560,103</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future local option (statewide) sales and services tax revenues to repay the \$1,400,000 and \$3,925,000 bonds issued in June 2006 and December 2012, respectively. The bonds were issued for the purpose of financing a portion of the costs of an elementary school upgrade, auditorium renovations, and wrestling room additions. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 50 to 65 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,560,103. For the current year, \$190,000 of principal and \$17,700 of interest was paid on the bonds and total statewide sales and services tax revenues were \$704,707.

The resolutions providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) For the June 2006 issue, monthly deposits were required to be made to the Reserve Fund until the maximum reserve requirement of 10% of stated principal amount was met. \$392,500 of the proceeds from the December 2012 issuance were deposited to the Reserve Fund. The Reserve Fund is to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund.
- (b) All proceeds from the local option (statewide) sales and services tax shall be placed in the Revenue Fund.
- (c) Monies in the Revenue Fund shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) All monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 113 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 58,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	<u>(8,000)</u>
Annual OPEB cost	54,000
Contributions made	<u>(3,000)</u>
Increase in net OPEB obligation	51,000
Net OPEB obligation beginning of year	<u>147,000</u>
Net OPEB obligation end of year	<u><u>\$ 198,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$3,000 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 53,400	8.2%	\$ 92,100
2012	58,300	5.8%	147,000
2013	54,000	5.6%	198,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$407,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$407,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,077,000, and the ratio of the UAAL to covered payroll was 8.0%. As of June 30, 2013, there were no trust fund assets.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$434,901, \$391,069, and \$336,101, respectively, equal to the required contributions for each year.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Risk Management

Tipton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$316,034 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Four year old preschool	\$ 62,956
Beginning teacher mentoring and induction	1,235
Teacher salary supplement	42,315
Professional development for model core curriculum	34,941
Professional development	<u>31,776</u>
Total	\$ <u><u>173,223</u></u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$3,598,693 for auditorium renovations and a wrestling room addition. As of June 30, 2013, costs of \$2,726,200 had been incurred against the contracts. The balance of \$872,493 remaining at June 30, 2013 will be paid as work on the projects progresses.

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Required Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 5,495,216	\$ 273,584	\$ 5,768,800	\$ 5,412,753	\$ 5,412,753	\$ 356,047
Intermediate sources	31,386	-	31,386	26,000	26,000	5,386
State sources	4,451,157	4,252	4,455,409	4,622,220	4,622,220	(166,811)
Federal sources	291,132	193,023	484,155	304,700	304,700	179,455
Total revenues	10,268,891	470,859	10,739,750	10,365,673	10,365,673	374,077
EXPENDITURES/EXPENSES:						
Instruction	5,956,047	-	5,956,047	5,837,440	5,987,440	31,393
Support services	2,725,561	-	2,725,561	2,746,882	2,746,882	21,321
Non-instructional programs	-	534,456	534,456	544,000	544,000	9,544
Other expenditures	4,046,318	-	4,046,318	1,592,391	5,092,391	1,046,073
Total expenditures/expenses	12,727,926	534,456	13,262,382	10,720,713	14,370,713	1,108,331
Excess (deficiency) of revenues over (under) expenditures/ expenses	(2,459,035)	(63,597)	(2,522,632)	(355,040)	(4,005,040)	1,482,408
Other financing sources, net and interfund contribution transfers	3,907,377	24,185	3,931,562	-	-	3,931,562
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,448,342	(39,412)	1,408,930	(355,040)	(4,005,040)	5,413,970
Balance beginning of year	3,199,331	72,190	3,271,521	2,858,826	2,858,826	412,695
Balance end of year	<u>\$ 4,647,673</u>	<u>\$ 32,778</u>	<u>\$ 4,680,451</u>	<u>\$ 2,503,786</u>	<u>\$ (1,146,214)</u>	<u>\$ 5,826,665</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,650,000.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 382	\$ 382	0.0%	\$ 4,747	8.1%
2011	July 1, 2009	-	365	365	0.0%	4,910	7.4%
2012	July 1, 2009	-	365	365	0.0%	4,905	7.4%
2013	July 1, 2012	-	407	407	0.0%	5,077	8.0%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue				
	Management Levy	Student Activity	District Support Trust	Debt Service	Total
Assets					
Cash and pooled investments	\$ 148,867	\$ 159,214	\$ 223,482	\$ 417,008	\$ 948,571
Receivables:					
Property tax:					
Current year	1,599	-	-	4,805	6,404
Succeeding year	180,000	-	-	431,000	611,000
Accrued interest	-	204	93	-	297
Accounts	-	1,235	-	-	1,235
Total assets	<u>\$ 330,466</u>	<u>\$ 160,653</u>	<u>\$ 223,575</u>	<u>\$ 852,813</u>	<u>\$ 1,567,507</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 3,388	\$ -	\$ -	\$ 3,388
Salaries and benefits payable	-	1,128	-	-	1,128
Deferred revenue:					
Succeeding year property tax	180,000	-	-	431,000	611,000
Total liabilities	<u>180,000</u>	<u>4,516</u>	<u>-</u>	<u>431,000</u>	<u>615,516</u>
Fund balances:					
Restricted for:					
Revenue bonds	-	-	-	32,000	32,000
Revenue bonds sinking fund	-	-	-	331,173	331,173
Debt service	-	-	-	58,640	58,640
Management levy purposes	150,466	-	-	-	150,466
Student activities	-	156,137	-	-	156,137
Kindergarten enhancement	-	-	223,575	-	223,575
Total fund balances	<u>150,466</u>	<u>156,137</u>	<u>223,575</u>	<u>421,813</u>	<u>951,991</u>
Total liabilities and fund balances	<u>\$ 330,466</u>	<u>\$ 160,653</u>	<u>\$ 223,575</u>	<u>\$ 852,813</u>	<u>\$ 1,567,507</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Special Revenue				
	Management Levy	Student Activity	District Support Trust	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 145,180	\$ -	\$ -	\$ 410,776	\$ 555,956
Other	3,710	308,320	2,116	451	314,597
State sources	89	-	-	252	341
Total revenues	<u>148,979</u>	<u>308,320</u>	<u>2,116</u>	<u>411,479</u>	<u>870,894</u>
Expenditures:					
Current:					
Instruction	48,000	278,184	3,202	-	329,386
Support services:					
Administration	57,510	-	-	-	57,510
Operation and maintenance of plant	45,879	128	-	-	46,007
Transportation	8,043	18,165	-	-	26,208
Other expenditures:					
Long term debt:					
Principal	-	-	-	560,000	560,000
Interest and fiscal charges	-	-	-	128,817	128,817
Total expenditures	<u>159,432</u>	<u>296,477</u>	<u>3,202</u>	<u>688,817</u>	<u>1,147,928</u>
Excess (deficiency) of revenues over (under) expenditures	(10,453)	11,843	(1,086)	(277,338)	(277,034)
Other financing sources (uses):					
Interfund transfers in	-	-	-	503,642	503,642
Interfund transfers out	-	-	-	(19,000)	(19,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>484,642</u>	<u>484,642</u>
Net change in fund balances	(10,453)	11,843	(1,086)	207,304	207,608
Fund balances beginning of year	<u>160,919</u>	<u>144,294</u>	<u>224,661</u>	<u>214,509</u>	<u>744,383</u>
Fund balances end of year	<u>\$ 150,466</u>	<u>\$ 156,137</u>	<u>\$ 223,575</u>	<u>\$ 421,813</u>	<u>\$ 951,991</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,521,703	\$ 641,631	\$ 2,163,334
Receivables:			
Property tax:			
Current year	-	2,375	2,375
Succeeding year	-	186,000	186,000
Income surtax	-	207,254	207,254
Due from other governments	309,664	-	309,664
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,831,367	\$ 1,037,260	\$ 2,868,627
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 331,012	\$ -	\$ 331,012
Deferred revenue:			
Succeeding year property tax	-	186,000	186,000
Other	-	207,254	207,254
Total liabilities	331,012	393,254	724,266
	<hr/>	<hr/>	<hr/>
Fund balances:			
Restricted for:			
Revenue bonds	392,502	-	392,502
School infrastructure	1,107,853	-	1,107,853
Physical plant and equipment	-	644,006	644,006
Total fund balances	1,500,355	644,006	2,144,361
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 1,831,367	\$ 1,037,260	\$ 2,868,627
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See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 704,707	\$ 424,297	\$ 1,129,004
Other	28,796	42	28,838
State sources	-	124	124
Total revenues	<u>733,503</u>	<u>424,463</u>	<u>1,157,966</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	111,364	8,444	119,808
Administration	-	13,196	13,196
Operation and maintenance of plant	-	4,798	4,798
Transportation	-	94,477	94,477
Other expenditures:			
Facilities acquisition	2,884,310	128,701	3,013,011
Long term debt:			
Interest and fiscal charges	28,456	-	28,456
Total expenditures	<u>3,024,130</u>	<u>249,616</u>	<u>3,273,746</u>
Excess (deficiency) of revenues over (under) expenditures	(2,290,627)	174,847	(2,115,780)
Other financing sources (uses):			
Revenue bonds issued	3,925,000	-	3,925,000
Premium on bonds issued	6,562	-	6,562
Interfund transfers in	19,000	-	19,000
Interfund transfers out	(503,642)	-	(503,642)
Total other financing sources (uses)	<u>3,446,920</u>	<u>-</u>	<u>3,446,920</u>
Net change in fund balances	1,156,293	174,847	1,331,140
Fund balances beginning of year	<u>344,062</u>	<u>469,159</u>	<u>813,221</u>
Fund balances end of year	<u>\$ 1,500,355</u>	<u>\$ 644,006</u>	<u>\$ 2,144,361</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	\$ 146	\$ 3,822	\$ 2,157	\$ 1,811
Forensics	8,315	5,474	4,050	9,739
Choir	-	2,486	2,486	-
Instrumental Music	5,587	1,268	2,191	4,664
Middle School Music	-	3,569	1,871	1,698
High School Band Color Guard	96	-	52	44
High School Athletics	4,967	69,193	62,087	12,073
Cross Country Special	821	2,606	1,957	1,470
Golf Special	548	3,461	3,065	944
Boys Basketball Special	2,553	14,315	11,963	4,905
Football Special	1,363	23,026	23,326	1,063
Baseball Special	-	8,965	7,762	1,203
Boys Track Special	2,671	3,907	3,838	2,740
Wrestling Special	1,593	6,581	5,326	2,848
Girls Basketball Special	5,792	17,868	15,689	7,971
Volleyball Special	5,539	6,532	7,669	4,402
Softball Special	3,052	2,684	3,536	2,200
Girls Track Special	139	44	-	183
Athletic Strength & Conditioning	562	4,373	1,502	3,433
Girls Swimming Special	-	4,849	4,849	-
Academic Decathlon	-	265	265	-
Art Club	256	95	107	244
Thespians	601	1,295	1,486	410
Honor Society	-	448	448	-
Football Cheerleaders	4,174	4,288	3,107	5,355
Basketball Cheerleaders	420	-	-	420
Wrestling Cheerleaders	2,422	1,277	1,927	1,772
High School Student Council	3,886	1,337	2,273	2,950
FFA	8,441	31,407	33,904	5,944
FCCLA	1,906	3,758	4,902	762
Yearbook	-	13,404	13,404	-
Spanish	276	-	10	266
Elementary Grade Fund	9,955	11,558	9,306	12,207
Invention Convention	119	-	-	119
Middle School Yearbook	-	1,921	1,921	-
Middle School Activity Fund	3,525	3,533	3,690	3,368
Middle School Athletics	-	19,678	18,381	1,297
MDT Fund	169	1,185	756	598
Middle School Lifeskills	460	490	737	213
Jump Rope for Heart	684	-	17	667

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School Student Council	\$ 939	\$ 812	\$ 1,315	\$ 436
Gifted and Talented	199	-	-	199
Elementary TAG	321	-	-	321
FTC	65	143	109	99
Class of 2013	478	65	543	-
Class of 2014	2,466	19,554	20,225	1,795
Class of 2015	117	890	191	816
Class of 2016	-	220	-	220
Tigerette Dance Squad	3,173	5,571	5,300	3,444
Investment Account Interest	53,510	2,042	10,939	44,613
Special Projects	1,988	2,722	3,587	1,123
Activity Tickets	-	144	5	139
Transportation	-	10,000	7,051	2,949
Intrafund Transfers	-	(14,805)	(14,805)	-
Total	\$ 144,294	\$ 308,320	\$ 296,477	\$ 156,137

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 9,400	\$ 8,462	\$ 8,143	\$ 9,719
Accounts receivable	50	(43)	-	7
	<u>9,450</u>	<u>8,419</u>	<u>8,143</u>	<u>9,726</u>
Total assets	\$ <u>9,450</u>	\$ <u>8,419</u>	\$ <u>8,143</u>	\$ <u>9,726</u>
Liabilities				
Other payables	\$ <u>9,450</u>	\$ <u>8,419</u>	\$ <u>8,143</u>	\$ <u>9,726</u>

See accompanying independent auditor's report.

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TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 4,371,900	\$ 4,193,395	\$ 4,162,007	\$ 3,818,350
Tuition	622,032	584,187	513,656	454,684
Other	501,284	524,621	510,049	345,053
Intermediate sources	31,386	28,308	30,383	30,629
State sources	4,451,157	4,437,195	4,069,375	3,623,567
Federal sources	291,132	379,570	515,262	750,321
Total revenues	<u>\$ 10,268,891</u>	<u>\$ 10,147,276</u>	<u>\$ 9,800,732</u>	<u>\$ 9,022,604</u>
Expenditures:				
Instruction	\$ 5,956,047	\$ 5,734,474	\$ 5,475,655	\$ 5,175,067
Support services:				
Student	144,966	224,743	245,884	230,682
Instructional staff	509,435	454,992	469,406	375,483
Administration	946,683	788,818	841,808	801,923
Operation and maintenance of plant	694,056	716,419	689,259	686,938
Transportation	430,421	306,730	341,048	305,485
Non-instructional programs	24,185	-	18,462	37,999
Other expenditures:				
Facilities acquisition	3,013,011	831,003	245,942	197,003
Long-term debt:				
Principal	560,000	540,000	515,000	505,000
Interest and fiscal charges	157,273	148,032	166,203	183,405
AEA flowthrough	316,034	313,380	331,593	328,048
Total expenditures	<u>\$ 12,752,111</u>	<u>\$ 10,058,591</u>	<u>\$ 9,340,260</u>	<u>\$ 8,827,033</u>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	3,721,436	\$ 3,705,645	\$ 3,499,396	\$ 3,347,746	\$ 3,141,934
	432,158	564,210	557,699	575,238	418,697
	396,192	515,771	455,001	505,022	345,796
	23,409	28,510	33,830	-	-
	4,081,829	3,963,555	3,492,687	3,418,405	3,282,078
	275,527	147,642	177,607	186,231	215,590
\$	<u>8,930,551</u>	<u>8,925,333</u>	<u>8,216,220</u>	<u>8,032,642</u>	<u>7,404,095</u>
\$	4,985,836	\$ 4,740,671	\$ 4,541,923	\$ 4,260,694	\$ 4,329,539
	234,799	224,472	208,885	198,545	186,142
	379,133	357,069	306,552	399,113	438,747
	770,167	750,366	698,086	712,732	668,015
	656,989	612,096	609,347	571,910	562,547
	318,296	313,045	216,528	207,774	156,664
	61,259	46,322	-	-	39,178
	546,262	194,041	1,113,924	981,799	2,468,005
	480,000	600,732	466,512	3,053,645	268,645
	199,558	220,324	195,487	402,845	263,245
	287,197	273,614	247,228	237,619	231,345
\$	<u>8,919,496</u>	<u>8,332,752</u>	<u>8,604,472</u>	<u>11,026,676</u>	<u>9,612,072</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Tipton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tipton Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in Part I of the accompanying Schedule of Findings as items I-A-13 through I-D-13, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tipton Community School District's Responses to Findings

Tipton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Tipton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tipton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 14, 2013

Hunt & Associates, P.C.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual performs the following duties: recording and processing cash receipts and bank deposits, recording disbursements and preparing and distributing checks, and preparing bank reconciliations in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review our procedures and implement changes to improve controls as we deem necessary.

Conclusion – Response accepted.

- I-B-13 Purchase Orders – The District currently uses purchase orders in the purchasing process. However, we noted five purchase orders out of forty tested that were completed after the goods had been ordered.

Recommendation – The advantage of using a purchase order system is that approval of the items being purchased is noted prior to ordering the items. Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and any necessary changes made so that all disbursements are approved by the appropriate administrators before ordering of supplies takes place.

Response – We will comply with this recommendation. We are currently working on educating all individuals involved as to the importance of the purchase order system.

Conclusion – Response accepted.

- I-C-13 Disbursements – Out of forty disbursements tested, two were not fully supported by an invoice or receipt prior to the check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

I-D-13 Gate Admissions – The athletic event gate admissions and change box were not reconciled with prenumbered tickets.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the admissions and change box to the number of tickets issued.

Response – We will review our current procedures regarding athletic event admissions and consider implementing the recommended reconciliations.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- II-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
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Brad Goetz, Board Member Father is owner of Family Foods	Supplies	\$17,479
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Brad Goetz, Board Member Mother is a Teacher	Salary	\$61,606
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In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions do not appear to represent a conflict of interest.

- II-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment – We noted that the number of resident students in the basic enrollment data certified to the Iowa Department of Education was overstated by one student.

Recommendation – The District should contact the Iowa Department of Education and Iowa Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and Iowa Department of Management.

Conclusion – Response accepted.

- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	344,062
Revenues/transfers in:			
Sales tax revenues	\$	704,707	
Interest		558	
Other local revenues		28,238	
Issuance of long-term debt		3,931,562	
Transfers from other funds:			
Debt Service Fund		<u>19,000</u>	4,684,065
Expenditures/transfers out:			
School infrastructure construction		2,819,689	
Equipment		111,364	
Other		93,077	
Transfers to other funds:			
Debt Service Fund		<u>503,642</u>	<u>3,527,772</u>
Ending balance		\$	<u><u>1,500,355</u></u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.28502	\$ 70,000

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-M-13 Financial Condition – The Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$7,815 at June 30, 2013.

Recommendation – The District should investigate alternatives to restore the School Nutrition Fund to a sound financial condition.

Response – We will continue to investigate alternatives to eliminate the deficit balance and restore the School Nutrition Fund to a sound financial condition.

Conclusion – Response accepted.

- II-N-13 General Fund Subsidy of School Nutrition Fund – We noted during the audit that the General Fund is subsidizing the School Nutrition Fund by paying for a portion of the employees' health insurance. During the year ended June 30, 2013, the General Fund contributed \$24,185 to the School Nutrition Fund to pay for employee benefits. This is considered to be a permanent transfer since the School Nutrition Fund is not expected to repay the General Fund for these benefits.

Recommendation – The School Nutrition Fund is supposed to support its own operations through the collection of fees for meals served, without subsidy from other District funds. The District should consider alternatives to make the School Nutrition Fund entirely self-sufficient.

Response – We will continue to investigate alternatives to eliminate future subsidizing of the School Nutrition Fund by other District funds.

Conclusion – Response accepted.

- II-O-13 Student Activity Fund – We noted that the Student Activity Fund has an interest account with a balance remaining at year end.

Recommendation – Interest earned by the Student Activity Fund should be allocated to the appropriate cocurricular accounts each year.

Response – We will allocate the interest to the appropriate activity accounts.

Conclusion – Response accepted.